

Third European Company Survey – Direct and indirect employee participation

Executive summary

Introduction

This report delivers the findings of research into the use of direct and indirect employee participation in decision-making in European establishments. Indirect employee participation is the involvement of employee representatives in decision-making processes, while direct employee participation describes direct interaction between employers and employees. Building on the overview report for Eurofound's Third European Company Survey (ECS), this report analyses the survey data with a special focus on how direct and indirect employee participation are related to each other and to national-level industrial relations characteristics. Also examined are the effects of direct and indirect employee participation practices on establishment-level outcomes – which practices of employee participation are beneficial both for the establishment and the employees in 'win-win' arrangements.

Policy context

Rapidly changing global and economic conditions seriously challenge current institutions of collaboration and cooperation in the field of industrial relations, particularly at the micro-level between and within organisations. This places substantial demands on both employers' and employees' skills in innovating and in adapting to these challenges. The Europe 2020 strategy directly refers to social dialogue and employee participation in its discussion of inclusive growth. Employment relations, an important sphere for generating social capital and trust, potentially have major spill-over effects beyond the immediate workplace. Hence, more informed policies on workplace participation contribute to social capital, trust and social cohesion in a wider societal context. Therefore, understanding how employee participation produces beneficial outcomes is vital for meeting the Europe 2020 objective of sustainable and inclusive economic growth, while at the same time building resilient and inclusive societies.

Key findings

The statistical analyses of the third ECS set out four distinct classes of indirect employee participation practices and five of direct employee participation (detailed in the report).

- For both indirect and direct employee participation, the most extensive forms are the dominant class across European establishments.
- More developed practices of indirect and direct employee participation are more prevalent in larger establishments.
- More extensive practices of direct employee participation are more apparent in establishments with younger, better-educated employees.
- Extensive forms of direct and indirect practices of employee participations are often combined.
- The absence of indirect participation in a workplace does not mean that direct participation is also absent. In most establishments where employee representation is absent, employees themselves were at least informed about changes.

National contexts shape the opportunities for – and the obstacles to – employee participation practices in their workplaces. Four national-level institutions for industrial relations were analysed to illustrate this:

- higher levels of wage coordination are associated with more extensive forms of indirect employee participation, as well as more extensive direct employee participation;
- in countries where wage coordination predominantly takes place at the company level, limited forms of direct employee participation are more prevalent;

- the legal mandate of works councils is not related to classes of indirect employee participation nor to classes of direct employee participation;
- higher employment rates are associated with extensive direct and indirect employee participation, while lower employment rates are associated with more limited direct employee participation.

The classes of indirect and direct employee participation appear to have discernible effects on workplace well-being and establishment performance.

- Establishments practising more developed classes of indirect and direct employee participation report more positively on workplace well-being.
- Establishments practising the most developed form of direct employee participation more frequently report positive establishment performance.
- Establishments in which the employee representation is provided with information more frequently report a positive establishment performance than establishments providing high levels of resources but low levels of information.

Two key findings emerged regarding the association between the classes of employee participation and outcomes that are positive for both the employer and employees ('win-win arrangements').

- Win-win arrangements are more common in establishments with employee representations that provide high levels of information than in establishments providing plentiful resources but little information.
- It was generally observed that more extensive forms of direct employee participation are positively related to beneficial outcomes in establishments.

Policy pointers

Promote extensive forms of interaction between management and employees: Extensive forms of employee participation are associated with positive outcomes for both employees and establishment.

However, less than 50% of the establishments studied engage in such extensive direct and indirect employee participation. More can be done to promote extensive forms of employee participation, such as consultation and codetermination.

Stimulate further implementation of the Information and Consultation Directive: In some countries, establishments do not provide employees or their representatives with information on financial and employment matters, although this is required by the EU Information and Consultation Directive. This is particularly the case in establishments in Portugal, Cyprus, Lithuania, Malta, Estonia and Ireland.

Stimulate meaningful provision of information and resources for employee representation: Information – about the company's financial and employment situation and strategic issues – is critical for employee participation. Even establishments that provide funding for training, external advice and time for employee representative duties score low on workplace well-being if they fail to provide good-quality information to employees.

Enhance direct participation by lower-skilled employees: Direct employee participation is especially limited in establishments with a relatively high proportion of lower-skilled workers. This suggests a relationship between the level of education of employees and the degree to which they participate. Establishments with a less-skilled workforce may need to provide additional resources to help workers participate more extensively in decision-making.

Centralised wage coordination stimulates employee participation: Collective bargaining coordination has been decentralised in many EU countries. There is a correlation between the level at which wage coordination takes place and the degree of employee participation. More centralised levels of wage coordination are associated with more extensive indirect employee participation and extensive direct participation. Limited direct employee participation, on the other hand, is less common in countries in which wage coordination is largely centralised. This could imply that national-level institutions are a more fertile ground for the development of more extensive forms of employee participation. Social partners might encourage this by increasing the central-level coordination of employment conditions.

Further information

The report *Third European Company Survey – Direct and indirect employee participation* is available at <http://www.eurofound.europa.eu/publications>.

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